

MAIN MACROECONOMIC INDICATORS (optimistic scenario)

	1994	1995	1996	1997	1998	1999	2000	2001	2002
Real GDP growth rate	-30.9%	-1.4%	-7.8%	1.6%	-8.6%	-2.5%	1.7%	2.8%	3.3%
Nominal GDP (excl. Transnistria), lei million	4737	6480	7658	8917	8804	10911	12764	14466	15954
Nominal GDP, USD million	1164	1443	1665	1933	1630	1116	1046	1070	1127
GDP per capita, USD	322	400	463	538	454	311	291	298	314
Annual inflation rate (end period)	104.6%	23.8%	15.1%	11.2%	18.3%	19.1%	12.0%	8.3%	6.0%
Average inflation rate	487.0%	30.0%	24.0%	12.0%	7.7%	27.1%	15.0%	10.3%	6.8%
Consolidated general govt. revenues, lei million	1848	2556	2835	3473	3270	3186	3829	4195	4467
Consolidated general govt. expenditures, lei million	2348	2993	3418	4165	3583	3361	3957	4022	4228
Budget balance, lei million	-500	-437	-583	-692	-313	-175	-128	174	239
Budget balance as % of GDP	-10.6%	-6.7%	-7.6%	-7.8%	-3.6%	-1.6%	-1.0%	1.2%	1.5%
Internal debt, million lei	270	477	737	940	1500	1700	1850	1980	2200
Internal debt, USD million	63	106	158	202	180	147	139	138	150
Stock of foreign debt*, USD million	627	765	916	1005	922	957	1028	1078	1044
Stock of foreign debt as % of GDP	53.8%	53.0%	55.0%	52.0%	56.6%	85.7%	98.3%	100.8%	92.7%
New borrowing*, USD million	247	196	181	185	70	228	184	170	170
Debt servicing (principal+interest)*, USD million	32	81	64	147	207	239	158	159	235
NBM gross forex reserves, USD million	180	257	314	366	144	200	314	428	459
NBM rez. In months of imports of GFS	2.85	3.03	3.00	3.07	1.42	2.15	3.23	4.16	4.23
NBM net forex reserves, USD million	17	26	66	131	5	34	116	200	206
Share of net reserves in total	9.5%	10.0%	20.9%	35.8%	3.5%	17.0%	36.9%	46.8%	44.8%
Cash in circulation M0, million lei	345	639	731	972	855	1274	1783	2318	2781
M2, million lei	676	1107	1292	1739	1357	1816	2523	3430	4345
Broad money M3 (at current exchange rate), million lei	749	1244	1439	1929	1756	2493	3382	4451	5504
Money multiplier	1.36	1.59	1.68	1.72	1.66	1.66	1.66	1.72	1.79
Dollarization of deposits	18.2%	22.6%	20.7%	19.8%	44.2%	55.5%	53.6%	47.6%	42.1%
Velocity of M3	6.3	5.2	5.3	4.6	5.0	4.4	3.8	3.3	2.9
Monetization of the economy	15.8%	19.2%	18.8%	21.6%	19.9%	22.8%	26.5%	30.8%	34.5%
End-year exchange rate, lei/1USD	4.27	4.50	4.65	4.66	8.32	11.58	13.32	14.33	14.68
Average exchange rate, lei/1USD	4.07	4.5	4.6	4.6	5.4	9.8	12.2	13.5	14.2
Nominal end-year annual appreciation(+)/depreciation(-), MDL/USD	-17.3%	-5.4%	-3.4%	-0.2%	-78.6%	-39.2%	-15.0%	-7.6%	-2.4%
Nominal end-year annual appreciation(+)/depreciation(-), USD/MDL	-14.8%	-5.1%	-3.2%	-0.2%	-44.0%	-28.1%	-13.0%	-7.0%	-2.4%
Real end-year annual appreciation(+)/depreciation(-)	+74.4%	+17.5%	+11.4%	+10.9%	-33.8%	-14.4%	-2.6%	+0.6%	+3.5%

* Included loans from IMF, WB, EBRD, EU, USA, Russia, other creditors and Eurobond issues

BALANCE OF PAYMENTS (optimistic scenario)*USD million*

	1994	1995	1996	1997	1998	1999	2000	2001	2002
Current account	-97	-115	-209	-309	-300	-129	-111	-109	-103
Current account, as % of GDP	-8.3%	-8.0%	-12.6%	-16.0%	-18.4%	-11.6%	-10.6%	-10.2%	-9.1%
Trade balance	-54	-55	-234	-384	-390	-234	-231	-239	-248
Exports (fob)	618	739	822	851	640	704	764	825	891
Exports, yr/yr	--	119.6%	111.2%	103.5%	75.0%	110.0%	108.5%	108.0%	108.0%
Imports (fob)	672	794	1056	1235	1030	938	995	1064	1139
Import, yr/yr	--	118.2%	133.0%	117.0%	83.4%	91.1%	106.0%	107.0%	107.0%
Services, net	-51	-96	-78	-63	-50	-50	-40	-40	-35
Income, net	-16	-29	-40	-62	-80	-85	-90	-90	-90
incl. interest payments for loans & bonds	-10	-15	-23	-39	-43	-39	-37	-33	-26
Current transfers, net	24	65	143	200	220	240	250	260	270
incl. veniturile celor ce lucr. peste hotare	--	--	80	80	100	100	100	100	100
Capital and finance account	92	70	185	406	25	236	201	200	113
Direct Investment	18	73	53	79	70	150	160	170	190
Foreign direct investments, as % of GDP	1.5%	5.1%	3.2%	4.1%	4.3%	13.4%	15.3%	15.9%	16.9%
Portfolio investment, net	0	0	53	240	-58	71	-7	4	-97
Eurobonds	0	0	30	75	-30	0	0	0	-75
Gazprom	0	0	0	140	0	62	-28	-28	-56
T-Bills	0	0	23	18	-41	5	15	25	25
Medium and long-term loans, net	157	73	96	13	13	15	48	26	20
Disbursement	175	131	119	89	70	140	135	130	130
World Bank	67	50	0	38	15	60	60	50	50
EBRD	0	5	34	23	15	30	35	40	45
Other official (EU, USA, Rus.)	108	49	32	1	5	20	15	15	15
Private creditors	0	27	53	27	35	30	25	25	20
Amortization	-18	-58	-23	-76	-57	-125	-87	-104	-110
Other capital flows, net	-83	-76	-17	74	0	0	0	0	0
Errors and omissions	-105	-10	-13	-11	0	0	0	0	0
Overall balance	-110	-55	-37	86	-275	106	90	90	10
Financing	110	55	38	-88	222	-106	-90	-90	-10
Use of IMF credit	72	65	25	1	-66	20	23	24	21
disbursement	72	65	32	21	0	88	49	40	40
amortization	0	0	-7	-20	-66	-67	-26	-16	-19
Change in Gross official reserves	-102	-77	-57	-52	222	-57	-113	-115	-31
including interest to IMF	-4	-8	-10	-11	-11	-7	-9	-6	-5
Debt arrears and rescheduling	140	67	70	-37	66	-70	0	0	0

MAIN MACROECONOMIC INDICATORS (pessimistic scenario)

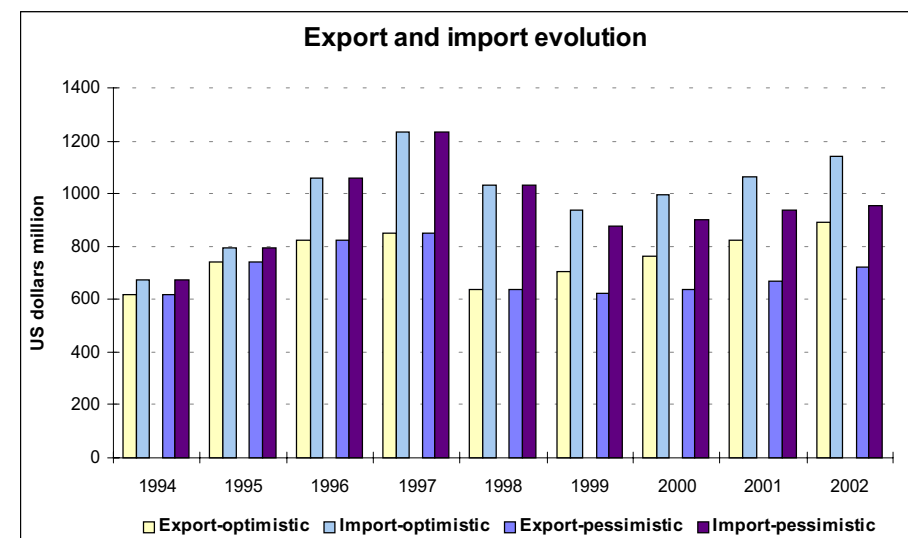
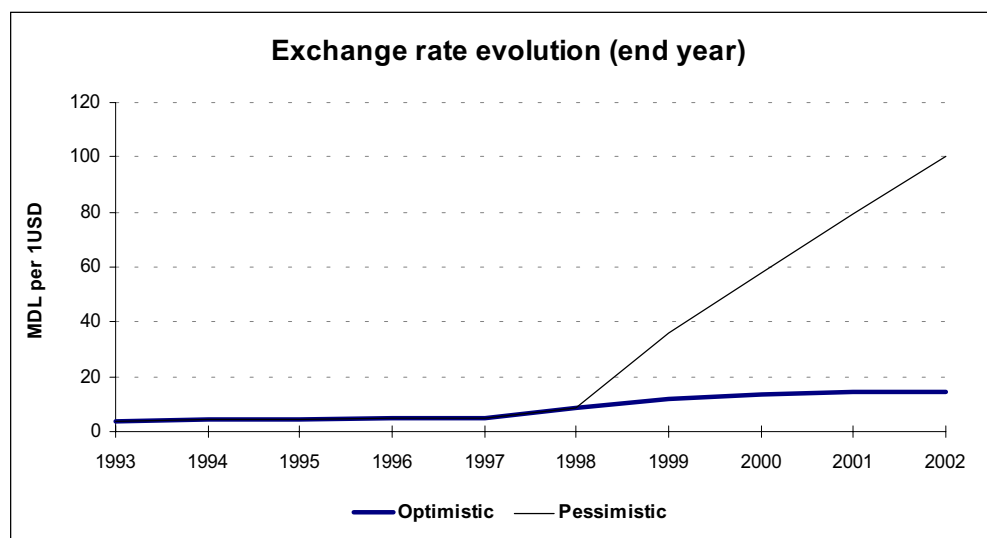
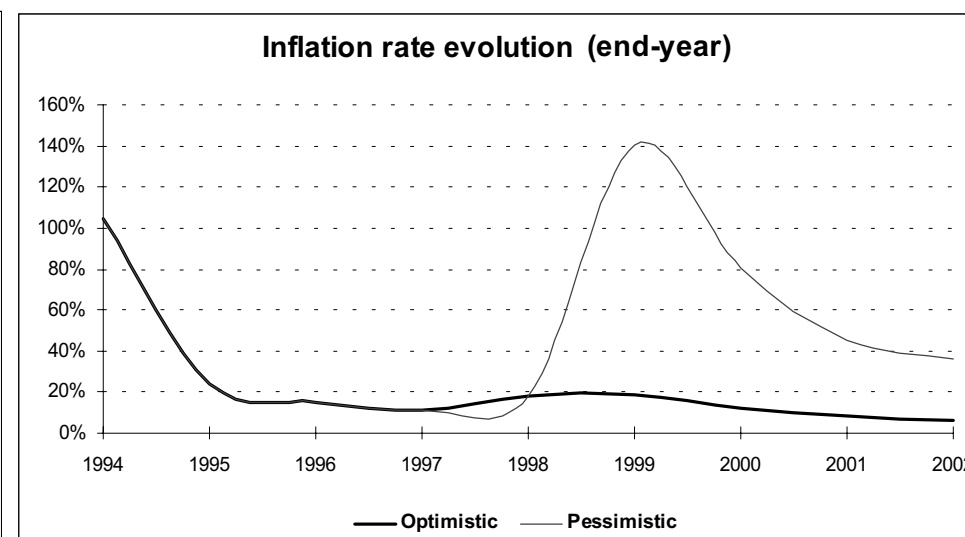
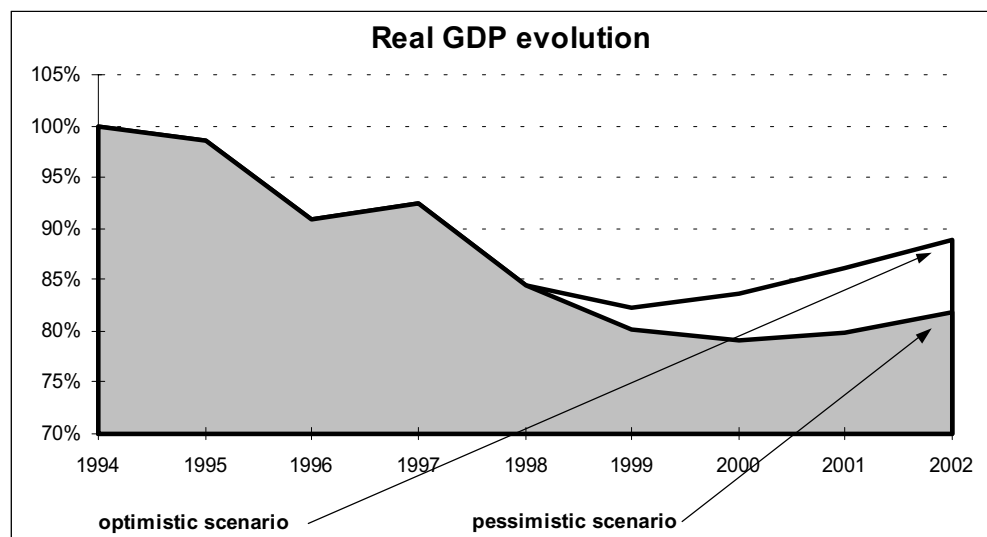
	1994	1995	1996	1997	1998	1999	2000	2001	2002
Real GDP growth rate	-30.9%	-1.4%	-7.8%	1.6%	-8.6%	-5.0%	-1.5%	1.0%	2.5%
Nominal GDP (excl. Transnistria), lei million	4737	6480	7658	8917	8804	13750	34361	51293	58201
Nominal GDP, USD million	1164	1443	1665	1933	1630	929	751	765	661
GDP per capita, USD	322	400	463	538	454	259	209	213	148
Annual inflation rate (end period)	104.6%	23.8%	15.1%	11.2%	18.3%	140.8%	80.1%	45.4%	35.8%
Average inflation rate	487.0%	30.0%	24.0%	12.0%	7.7%	64.4%	153.7%	47.8%	10.7%
Consolidated general govt. revenues, lei million	1848	2556	2835	3473	3270	4125	10308	14875	16296
Consolidated general govt. expenditures, lei million	2348	2993	3418	4165	3583	4813	12713	16927	17460
Budget balance, lei million	-280.5	-437	-583	-692	-313	-688	-2405	-2052	-1164
Budget balance as % of GDP	-5.9%	-6.7%	-7.6%	-7.8%	-3.6%	-5.0%	-7.0%	-4.0%	-2.0%
Internal debt, million lei	270	477	737	940	1500	1850	1900	1970	2100
Internal debt, USD million	63	106	158	202	180	51	33	25	21
Stock of foreign debt, USD million	627	766	917	1006	923	866	858	868	839
Stock of foreign debt as % of GDP	53.8%	53.1%	55.1%	52.0%	56.6%	93.1%	114.2%	113.5%	126.9%
New borrowing, USD million	247	197	181	185	70	115	105	140	175
Debt servicing (principal+interest), USD million	32	81	64	147	207	219	154	167	233
NBM gross forex reserves, USD million	180	257	314	366	144	111	153	201	285
NBM rez. In months of imports of GFS	2.85	3.03	3.00	3.07	1.42	1.26	1.70	2.17	3.03
NBM net forex reserves, USD million	17	26	66	131	5	-2	41	71	111
Cash in circulation M0, million lei	345	639	731	972	855	2566	5332	7980	12307
M2, million lei	676	1107	1292	1739	1357	3038	5999	9020	14179
Broad money (at current exchange rate), million lei	749	1244	1439	1929	1756	3901	7656	11981	19812
Money multiplier	1.36	1.59	1.68	1.72	1.66	1.31	1.31	1.38	1.50
Dollarization of deposits	18.2%	22.6%	20.7%	19.8%	44.2%	64.5%	71.2%	73.9%	75.0%
Velocity of M3	6.3	5.2	5.3	4.6	5.0	3.5	4.5	4.3	2.9
Monetization of the economy	15.8%	19.2%	18.8%	21.6%	19.9%	28.4%	22.3%	23.4%	34.0%
Ratio gross rezerves / M3	102.5%	92.8%	101.4%	88.4%	68.1%	102.9%	115.4%	132.9%	144.4%
End-year exchange rate, lei/1USD	4.27	4.50	4.65	4.66	8.32	35.99	57.63	79.15	100.39
Average exchange rate, lei/1USD	4.07	4.5	4.6	4.6	5.4	14.8	45.7	67.0	88.0
Nominal end-year annual appreciation(+)/depreciation(-), MDL/USD	-17.3%	-5.4%	-3.4%	-0.2%	-78.6%	-332.5%	-60.1%	-37.4%	-26.8%
Nominal end-year annual appreciation(+)/depreciation(-), USD/MDL	-14.8%	-5.1%	-3.2%	-0.2%	-44.0%	-76.9%	-37.5%	-27.2%	-21.2%
Real end-year annual appreciation(+)/depreciation(-)	+74.4%	+17.5%	+11.4%	+10.9%	-33.8%	-44.3%	+12.5%	+5.9%	+7.1%

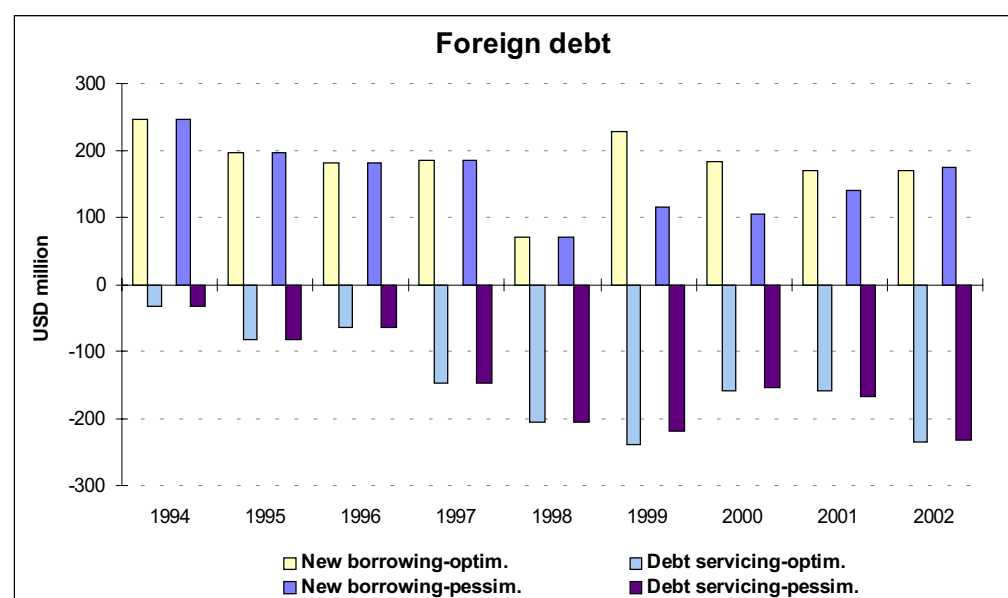
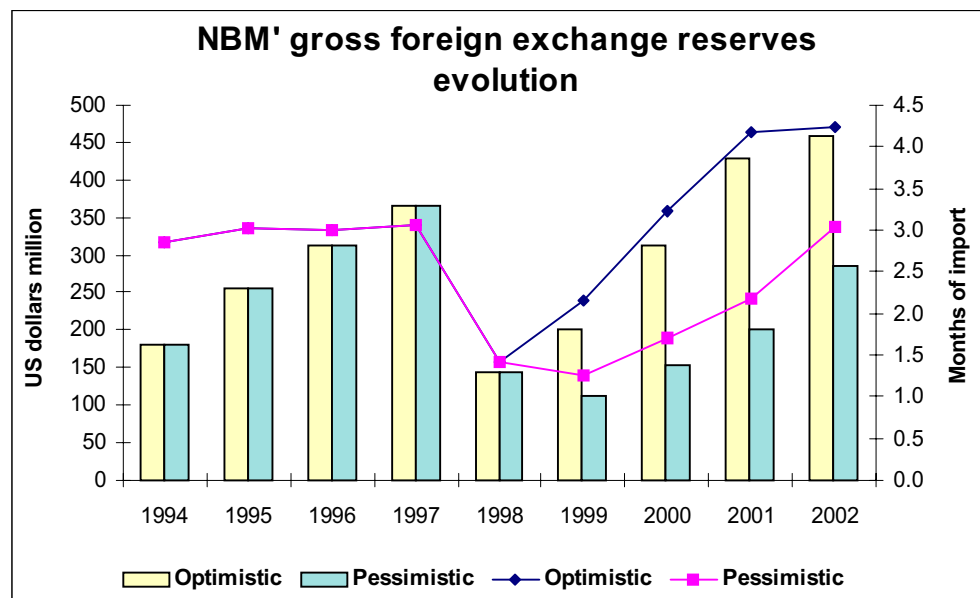
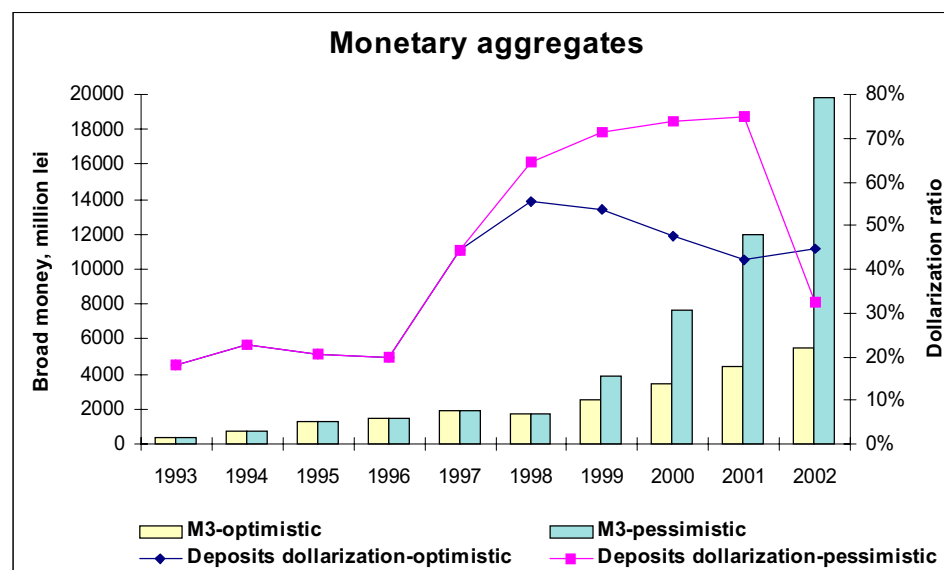
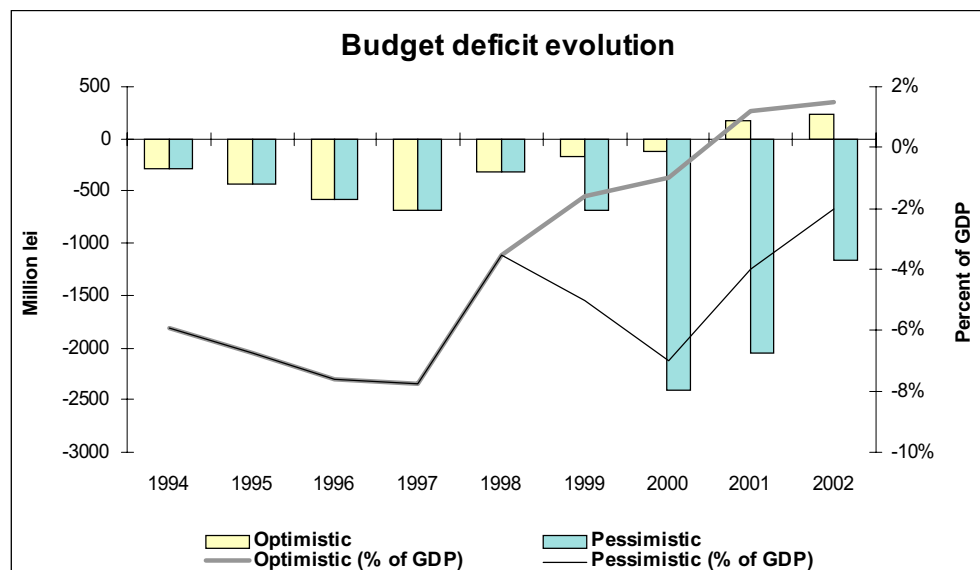
* Included loans from IMF, WB, EBRD, EU, USA, Russia, other creditors and Eurobond issues

BALANCE OF PAYMENTS (pessimistic scenario)*USD million*

	1994	1995	1996	1997	1998	1999	2000	2001	2002
Current account	-97	-115	-209	-309	-300	-180	-182	-161	-108
Current account, as % of GDP	-8.3%	-8.0%	-12.6%	-16.0%	-18.4%	-19.3%	-24.3%	-21.1%	-16.4%
Trade balance	-54	-55	-234	-384	-390	-255	-262	-266	-238
Exports (fob)	618	739	822	851	640	621	639	671	718
Exports, yr/yr	--	119.6%	111.2%	103.5%	75.0%	97.0%	103.0%	105.0%	107.0%
Imports (fob)	672	794	1056	1235	1030	876	902	938	957
Import, yr/yr	--	118.2%	133.0%	117.0%	83.4%	85.0%	103.0%	104.0%	102.0%
Services, net	-51	-96	-78	-63	-50	-55	-50	-45	-40
Income, net	-16	-29	-40	-62	-80	-90	-90	-90	-90
incl. interest payments for loans & bonds	-10	-15	-23	-39	-43	-39	-37	-33	-26
Current transfers, net	24	65	143	200	220	220	220	240	260
incl. veniturile celor ce lucr. peste hotare	--	--	80	80	100	100	110	110	110
Capital and finance account	92	71	185	406	25	80	130	145	131
Direct Investment	18	73	53	79	70	50	100	160	200
Foreign direct investments, as % of GDP	1.5%	5.1%	3.2%	4.1%	4.3%	5.4%	13.3%	20.9%	30.3%
Portfolio investment, net	0	0	53	240	-58	5	-18	-11	-74
Eurobonds	0	0	30	75	-30	0	0	0	-75
Gazprom	0	0	0	140	0	0	-28	-28	-28
T-Bills	0	0	23	18	-41	1	5	10	20
Medium and long-term loans, net	157	74	96	13	13	-25	-2	-4	5
Disbursement	175	132	119	89	70	80	85	100	115
World Bank	67	50	0	38	15	30	40	50	60
EBRD	0	5	34	23	15	20	20	25	30
Other official (EU, USA, Rus.)	108	49	32	1	5	5	5	5	5
Private creditors	0	27	53	27	35	25	20	20	20
Amortization	-18	-58	-23	-76	-57	-105	-87	-104	-110
Other capital flows, net	-83	-76	-17	74	0	50	50	0	0
Errors and omissions	-105	-10	-13	-11	0	0	0	0	0
Overall balance	-110	-54	-37	86	-275	-100	-52	-17	23
Financing	110	55	38	-88	222	100	52	17	-23
Use of IMF credit	72	65	25	1	-66	-32	-6	14	41
disbursement	72	65	32	21	0	35	20	40	60
amortization	0	0	-7	-20	-66	-67	-26	-26	-19
Change in Gross official reserves	-102	-77	-57	-52	222	32	-42	-48	-84
including interest to IMF	-4	-8	-10	-11	-11	-7	-5	-4	-3
Debt arrears and rescheduling	140	67	70	-37	66	100	100	50	20

Optimistic and pessimistic scenarios: comparative charts





4.2. Flow of Funds model (tables)

Flow of Funds Account, 1994-mln.lei

Transactions/sectors		Domestic economy			Rest of the world (5)	Horiz. check (6)
	Total	Include				
	(1)	General government (2)	Private sector (3)	Banking System (4)		
GDP	4735					
Gross national disposable income (GNDI)	4767	1541	3226			0
Final consumption	3572	2591	981			0
Gross investment	914	379	535			0
Change in stocks	451		451			0
Exports of goods and nonfactor services 1/	2643				-2643	0
Imports of goods and nonfactor services 1/	-3069				3069	0
Net factor income	-65				65	0
Official transfers	97				-97	0
Statistical discrepancy	224		224			0
Nonfinancial balances	-394	-1429	1035		394	
Foreign financing		952	41	-138	-855	
Nonmonetary		384	41		-425	0
Direct investment			73		-73	0
Net foreign borrowing,		384	-32		-352	0
Increase of the energy and other arrears		568			-568	
Monetary				-138	138	0
Change in net foreign assets				-138	138	0
Monetary Authorities				-87	87	
DMB				-51	51	
Domestic financing		367	-302	-65		
Monetary		382	-317	-65		0
Domestic credit		382	84	-466		0
Broad money			-401	401		0
Nonmonetary		-15	15			0
Non-bank		-15	15			0
Increase in budget expenditure arrears		110	-110			
Net errors and omissions 2/			-664	203	461	
Vertical Check		0	0	0	0	

1/ The values of exports and imports of goods and nonfactor services differ between the national income accounts data and balance of payments. The figures used in this table are taken from the balance of payments.

2/ Balancing item calculated as the difference between nonfinancial balances and total financing.

3/ 2-nd column - General Govern. and Public sector operations (including debt and energy arrears/resched., change in budget expenditure arrears, state enterprises balance)

4. ANNEXES

Flow of Funds Account, 1995-mln.lei

Transactions/sectors		Domestic economy			Rest of the world (5)	Horiz. check (6)
	Total	Include				
	(1)	General government (2)	Private sector (3)	Banking System (4)		
GDP	6480					
Gross national disposable income (GNDI)	6642	2328	4314			0
Final consumption	5371	2964	2407			0
Gross investment	1034	349	685			0
Change in stocks	578		578			0
Exports of goods and nonfactor services 1/	3902				-3902	0
Imports of goods and nonfactor services 1/	-4580				4580	0
Net factor income	-130				130	0
Official transfers	292				-292	0
Statistical discrepancy	175		175			0
Nonfinancial balances	-516	-985	468		516	
Foreign financing		544	65	-33	-577	
Nonmonetary		248	65		-313	0
Direct investment			328		-328	0
Net foreign borrowing,		248	-263		15	0
Increase of the energy and other arrears		296			-296	
Monetary				-33	33	0
Change in net foreign assets				-33	33	0
Monetary Authorities				-43	43	
DMB				10	-10	
Domestic financing		295	-237	-58		
Monetary		291	-233	-58		0
Domestic credit		291	259	-550		0
Broad money			-492	492		0
Nonmonetary		4	-4			0
Non-bank		4	-4			0
Increase in budget expenditure arrears		145	-145			
Net errors and omissions 2/			-151	91	60	
Vertical Check		0	0	0	0	

1/ The values of exports and imports of goods and nonfactor services differ between the national income accounts data and balance of payments. The figures used in this table are taken from the balance of payments.

2/ Balancing item calculated as the difference between nonfinancial balances and total financing.

3/ 2-nd column - General Government and Public sector operations (including debt and energy arrears/resched., change in budget expenditure arrears, state enterprises balance)

Flow of Funds Account, 1996-mln.lei

Transactions/sectors		Domestic economy			Rest of the world	Horiz. check
	Total	Include				
		General government	Private sector	Banking System		
	(1)	(2)	(3)	(4)	(5)	(6)
GDP	7659					
Gross national disposable income (GNDI)	8133	2787	5346			0
Final consumption	7338	3834	3504			0
Gross investment	1517	356	1161			0
Change in stocks	351		351			0
Exports of goods and nonfactor services 1/	4287				-4287	0
Imports of goods and nonfactor services 1/	-5722				5722	0
Net factor income	-184				184	0
Official transfers	658				-658	0
Statistical discrepancy	-112		-112			0
Nonfinancial balances	-961	-1403	442		961	
Foreign financing		774	251	6	-1031	
Nonmonetary		452	251		-703	0
Direct investment			244		-244	0
Net foreign borrowing,		452	7		-459	0
Increase of the energy and other arrears		322			-322	
Monetary				6	-6	0
Change in net foreign assets				6	-6	0
Monetary Authorities				-142	142	
DMB				148	-148	
Domestic financing		265	-174	-91		
Monetary		114	-23	-91		0
Domestic credit		114	167	-281		0
Broad money			-190	190		0
Nonmonetary		151	-151			0
Non-bank		151	-151			0
Increase in budget expenditure arrears		364	-364			
Net errors and omissions 2/			-155	85	70	
Vertical Check		0	0	0	0	

1/ The values of exports and imports of goods and nonfactor services differ between the national income accounts data and balance of payments. The figures used in this table are taken from the balance of payments.

2/ Balancing item calculated as the difference between nonfinancial balances and total financing.

3/ 2-nd column - General Government and Public sector operations (including debt and energy arrears/resched., change in budget expenditure arrears, state enterprises balance)

4. ANNEXES

Flow of Funds Account, 1997-mln.lei

Transactions/sectors		Domestic economy			Rest of the world	Horiz. check
	Total	Include				
		General government	Private sector	Banking System		
	(1)	(2)	(3)	(4)		
GDP	8917					
Gross national disposable income (GNDI)	9553	3076	6477			0
Final consumption	8692	4101	4591			0
Gross investment	1774	300	1474			0
Change in stocks	337		337			0
Exports of goods and nonfactor services 1/	4532				-4532	0
Imports of goods and nonfactor services 1/	-6592				6592	
Net factor income	-286				286	0
Official transfers	922				-922	0
Statistical discrepancy	175		175			0
Nonfinancial balances	-1424	-1326	-99		1424	
Foreign financing		763	846	-136	-1473	
Nonmonetary		284	846		-1130	0
Direct investment			364		-364	0
Net foreign borrowing,		284	482		-766	0
Increase of the energy and other arrears		479			-479	0
Monetary				-136	136	0
Change in net foreign assets				-136	136	0
Monetary Authorities				-232	232	
DMB				96	-96	
Domestic financing		562	-550	-13		
Monetary		486	-473	-13		0
Domestic credit		486	16	-502		0
Broad money			-489	489		0
Nonmonetary		76	-76			0
Non-bank		76	-76			0
Increase in budget expenditure arrears		0	0			
Net errors and omissions 2/			-198	149	49	
Vertical Check		0	0	0	0	

1/ The values of exports and imports of goods and nonfactor services differ between the national income accounts data and balance of payments. The figures used in this table are taken from the balance of payments.

2/ Balancing item calculated as the difference between nonfinancial balances and total financing.

3/ 2-nd column - General Government and Public sector operations (including debt and energy arrears/resched., change in budget expenditure arrears, state enterprises balance)

Flow of Funds Account, 1998-mln.lei

Transactions/sectors		Domestic economy			Rest of the world	Horiz. check
	Total	Include				
		General government	Private sector	Banking System		
	(1)	(2)	(3)	(4)	(5)	(6)
GDP	8804					
Gross national disposable income (GNDI)	9627	3059	6569			0
Final consumption	9007	3915	5092			0
Gross investment	1930	294	1636			0
Change in stocks	355		355			0
Exports of goods and nonfactor services 1/	4121				-4121	0
Imports of goods and nonfactor services 1/	-6472				6472	0
Net factor income	-430				430	0
Official transfers	1254				-1254	0
Statistical discrepancy	-137		-137			0
Nonfinancial balances	-1528	-1150	-377		1528	
Foreign financing		108	181	830	-1119	
Nonmonetary		-274	181		93	0
Direct investment			344		-344	0
Net foreign borrowing,		-274	-163		437	0
Increase of the energy and other arrears		382			-382	0
Monetary				830	-830	0
Change in net foreign assets				830	-830	0
Monetary Authorities				780	-780	0
DMB				50	-50	0
Domestic financing		596	620	-1216		
Monetary		710	506	-1216		0
Domestic credit		710	161	-871		0
Broad money			345	-345		0
Nonmonetary		-115	115			0
Non-bank		-115	115			0
Increase in budget expenditure arrears		447	-447			
Net errors and omissions 2/			23	386	-409	
Vertical Check		0	0	0	0	

1/ The values of exports and imports of goods and nonfactor services differ between the national income accounts data and balance of payments. The figures used in this table are taken from the balance of payments.

2/ Balancing item calculated as the difference between nonfinancial balances and total financing.

3/ 2-nd column - General Government and Public sector operations (including debt and energy arrears/resched., change in budget expenditure arrears, state enterprises balance)

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Flow of Funds Account, 1999-mln.lei

Transactions/sectors		Domestic economy			Rest of the world	Horiz. check
	Total	Include				
		General govern. 4/	Private sector	Banking System		
	(1)	(2)	(3)	(4)		
GDP	11433				(5)	(6)
Gross national disposable income (GNDI)	13025	3080	9946			0
Final consumption	10979	2822	8157			0
Gross investment	2858	457	2401			0
Change in stocks	0		0			0
Exports of goods and nonfactor services 1/	8607				-8607	0
Imports of goods and nonfactor services 1/	-11011				11011	
Net factor income	-846				846	0
Official transfers	2438				-2438	0
Statistical discrepancy	0		0			0
Nonfinancial balances	-812	-200	-612		812	
Foreign financing		-54	1544	-736	-754	
Nonmonetary		-54	1544		-1490	0
Direct investment 2/		199	796		-995	0
Net foreign borrowing,		-253	748		-495	0
Increase of the energy and other arrears		0			0	
Monetary				-736	736	0
Change in net foreign assets				-736	736	0
Monetary Authorities				-346	346	
DMB				-389	389	
Domestic financing		254	-500	246		
Monetary		174	-420	246		0
Domestic credit		174	-27	-147		0
Broad money			-393	393		0
Nonmonetary		80	-80			0
Non-bank		60	-60			0
Privatization by domestic investors		20	-20			
Increase in budget expenditure arrears		0	0			
Net errors and omissions 3/			-432	489	-58	
Vertical Check		0	0	0	0	

1/ The values of exports and imports of goods and nonfactor services differ between the national income accounts data and balance of payments. The figures used in this table are taken from the balance of payments.

2/ Including privatization by foreign investors

3/ Balancing item calculated as the difference between nonfinancial balances and total financing.

4/ 2-nd column - General Government and Public sector operations (including debt and energy arrears/resched., change in budget expenditure arrears, state enterprises balance)

Flow of Funds Account, 2000-mln.lei

Transactions/sectors		Domestic economy			Rest of the world (5)	Horiz. check (6)
	Total	Include				
		General govern. 4/	Private sector	Banking System		
	(1)	(2)	(3)	(4)		
GDP	13198					
Gross national disposable income (GNDI)	15314	3397	11917			0
Final consumption	12877	3001	9877			0
Gross investment	3299	528	2771			0
Change in stocks	0		0			0
Exports of goods and nonfactor services 1/	11703				-11703	0
Imports of goods and nonfactor services 1/	-14682				14682	0
Net factor income	-1121				1121	0
Official transfers	3237				-3237	0
Statistical discrepancy	0		0			0
Nonfinancial balances	-863	-132	-731		863	
Foreign financing		41	2403	-1516	-929	
Nonmonetary		41	2403		-2444	0
Direct investment 2/		374	1245		-1619	0
Net foreign borrowing,		-332	1158		-826	0
Increase of the energy and other arrears		0			0	
Monetary				-1516	1516	0
Change in net foreign assets				-1516	1516	0
Monetary Authorities				-955	955	
DMB				-561	561	
Domestic financing		91	-1490	1399		
Monetary		11	-1410	1399		0
Domestic credit		11	-400	389		0
Broad money			-1010	1010		0
Nonmonetary		80	-80			0
Non-bank		60	-60			0
Privatization by domestic investors		20	-20			
Increase in budget expenditure arrears		0	0			
Net errors and omissions 3/			-183	117	66	
Vertical Check		0	0	0	0	

1/ The values of exports and imports of goods and nonfactor services differ between the national income accounts data and balance of payments. The figures used in this table are taken from the balance of payments.

2/ Including privatization by foreign investors

3/ Balancing item calculated as the difference between nonfinancial balances and total financing.

4/ 2-nd column - General Government and Public sector operations (including debt and energy arrears/resched., change in budget expenditure arrears, state enterprises balance)

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Flow of Funds Account, 2001-mln.lei

Transactions/sectors		Domestic economy			Rest of the world	Horiz. check
	Total	Include				
		General govern. 4/	Private sector	Banking System		
	(1)	(2)	(3)	(4)		
GDP	14897					
Gross national disposable income (GNDI)	17523	3792	13732			0
Final consumption	14849	3017	11831			0
Gross investment	3724	596	3128			0
Change in stocks	0		0			0
Exports of goods and nonfactor services 1/	13963				-13963	0
Imports of goods and nonfactor services 1/	-17639				17639	0
Net factor income	-1244				1244	0
Official transfers	3871				-3871	0
Statistical discrepancy	0		0			0
Nonfinancial balances	-1049	179	-1228		1049	
Foreign financing		-333	3079	-1581	-1165	
Nonmonetary		-333	3079		-2746	0
Direct investment 2/		277	1659		-1936	0
Net foreign borrowing,		-610	1420		-810	0
Increase of the energy and other arrears		0			0	
Monetary				-1581	1581	0
Change in net foreign assets				-1581	1581	0
Monetary Authorities				-1046	1046	
DMB				-535	535	
Domestic financing		154	-1737	1583		
Monetary		104	-1687	1583		0
Domestic credit		104	667	-771		0
Broad money			-2354	2354		0
Nonmonetary		50	-50			0
Non-bank		30	-30			0
Privatization by domestic investors		20	-20			
Increase in budget expenditure arrears		0	0			
Net errors and omissions 3/			-113	-2	115	
Vertical Check		0	0	0	0	

1/ The values of exports and imports of goods and nonfactor services differ between the national income accounts data and balance of payments. The figures used in this table are taken from the balance of payments.

2/ Including privatization by foreign investors

3/ Balancing item calculated as the difference between nonfinancial balances and total financing.

4/ 2-nd column - General Government and Public sector operations (including debt and energy arrears/resched., change in budget expenditure arrears, state enterprises balance)

Flow of Funds Account, 2002-mln.lei

Transactions/sectors		Domestic economy			Rest of the world	Horiz. check
	Total	Include				
	(1)	General govern. 4/ (2)	Private sector (3)	Banking System (4)		
GDP	16465					
Gross national disposable income (GNDI)	19221	4203	15019			0
Final consumption	15370	3297	12073			0
Gross investment	4116	659	3458			0
Change in stocks	0		0			0
Exports of goods and nonfactor services 1/	15375				-15375	0
Imports of goods and nonfactor services 1/	-18397				18397	0
Net factor income	-1305				1305	0
Official transfers	4061				-4061	0
Statistical discrepancy	0		0			0
Nonfinancial balances	-265	247	-512		265	
Foreign financing		-431	2038	-1282	-325	
Nonmonetary		-431	2038		-1607	0
Direct investment 2/		290	1886		-2176	0
Net foreign borrowing,		-721	152		569	0
Increase of the energy and other arrears		0			0	
Monetary				-1282	1282	0
Change in net foreign assets				-1282	1282	0
Monetary Authorities				-521	521	
DMB				-762	762	
Domestic financing		184	-1449	1265		
Monetary		134	-1399	1265		0
Domestic credit		134	-724	590		0
Broad money			-675	675		0
Nonmonetary		50	-50			0
Non-bank		30	-30			0
Privatization by domestic investors		20	-20			
Increase in budget expenditure arrears		0	0			
Net errors and omissions 3/			-77	17	59	
Vertical Check		0	0	0	0	

1/ The values of exports and imports of goods and nonfactor services differ between the national income accounts data and balance of payments. The figures used in this table are taken from the balance of payments.

2/ Including privatization by foreign investors

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4.3. Corruption phenomenon: increasing threat for the economy

$$\text{Corruption} = \text{Monopoly} + \text{Discretion} - \text{Accounting}^6$$

The large-scale spread of corruption and shadow economy are phenomena characteristic to a country in transition. Since the beginning of '90s, in the Republic of Moldova these phenomena keep intensifying. As preconditions for that could be mentioned the weakness of the newly formed state and its structures, contradictions and lack of transparency of the legislation system, dismemberment of state, inefficiency of customs service, low wages of state employees. The large spread of this phenomenon represents a threat to the security of the state.

If by the beginning of '90s one of the biggest problems for the transition countries was shadow economy, and the main objective of the state policy in this domain was supposed to be the creation of conditions for the incorporation of shadow economy into the formal one, then during the last years the problem modified into a national tragedy for a series of countries – corruption. Corruption in many cases undertook the mechanisms, structures, and functions of the state.

If at the beginning of the decade the corruption in transition countries was in a big part as a brake to the economic development, creating obstacles for local producers and pushing out the potential foreign investors, then, actually it simply blocks the reforms in the country. Any amendment of the acting legislation does not have any positive expected effects due to the impact of corruption; the economy does not develop according to market rules, there are no competition and progress in utilizing the disposable resources, state debts grow spontaneously, pauperization of the society deepens, a decrease of population's credibility in the state and a creation of a conflict situation take place.

A simple **definition of corruption** can be formulated as follows: abuse of power for private gain by the state officials.

Main forms of corruption are: acceptance, soliciting or extortion of bribes, patronage, nepotism, theft of public goods, causing losses to the state, political corruption, etc.

Bribes – in order to obtain state contracts (choice of firms, terms and conditions for contracts), assure state guarantees for credits, obtain facilities, material and financial benefits, preferential support of patronaged enterprises, shading investigated violations, non-application or diminishing penalties, obtaining licenses, exclusive rights for economic activities, for speeding-up delivering documents, obtaining political positions, employment in state structures and prestigious positions.

Thefts – spontaneous privatization of public enterprises, equipment, financial sources, uncontrolled utilization of enterprise funds, obtaining credits without repayment, payment of wages to non-existent employees, etc.

Political corruption – violation of the election legislation, financing the electoral campaigns, solving parliamentary conflicts in illegal modalities, lobbying;

Causes of corruption can be economic, institutional, politic, social and moral:

- The *economic* ones include: unlivable budget, low wages for state employees, delays in payment of wages;
- The *institutional* ones are: lack of real will to fight corruption, lack of strategy in this field, high level of discretion in the work of legal bodies, an inadequate accounting system, lack of

⁶ Governance and the Economy in Africa: Tools for Analysis and Reform of Corruption, IRIS, University of Maryland at College Park

transparency in the legal system, weak state policy generating rent-seeking, career promotion without real performance.

- *Political* causes include: transformation of fighting corruption into fighting political opponents, interest of some political groups in the economic and financial collapse of the state, thus willing to return to the old dictatorial system, import of corruption.
- *Social and moral* causes: demoralization of the society, ethical values erosion caused by the corruption amongst the top level employees, insufficient information of population, insufficient work of mass-media, public tolerance.

*Corruption can have a **strong impact on the economic, political, social and ecological security of the state.***

Economic consequences of corruption are:

- Growth of transactional costs, especially for economic activities in small business, diminishing competitiveness for goods and services;
- Discouragement of investments and innovational ideas;
- Growing costs and diminishing of public projects quality;
- Sliding of economy towards the underground sector;
- Unfairness, non-loyal competition by using state institutions as repressing tools, falsification of information regarding competitors, technical and industrial espionage, racketing, signing monopolistic agreements, etc.
- Fund embezzlement, diminishing economic efficacy;
- Macroeconomic instability, vulnerability of the country to economic crises.

Social consequences:

- Creation of additional tax burden;
- Strong negative impact on the vulnerable strata of the society, having no political influence vulnerable strata often have to face a heavier social pressure;
- Reduction of quality of goods and services;

Consequences on the state political security:

- Formation of an economic and political clan, which imposes to the society its wish, regardless to the needs of the society, and contributing to the huge growth of state indebtedness;
- Diminishing payments to the budget result in the failure of the small business supporting, social, educational, health and environment policies, as well as in unfair work retribution in the budget waged sphere;
- Paralysis of state institutions, affection of citizens' rights and constitutional guarantees, discredit of the state system, lack of respect towards the state on behalf of the population;
- Deterioration of economical and political security of the state.

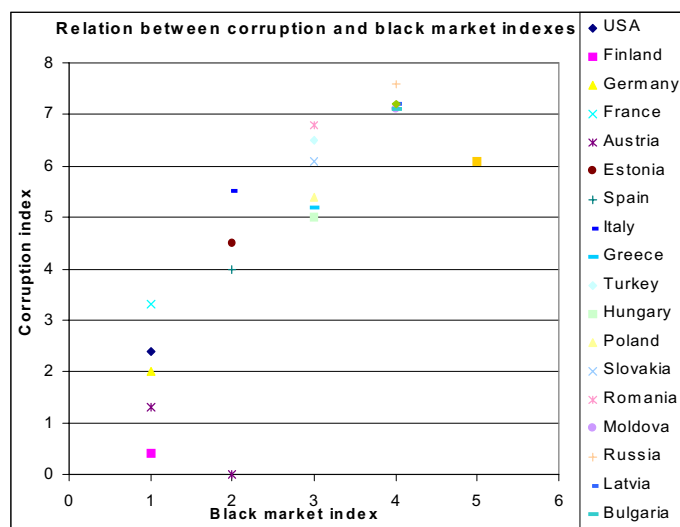
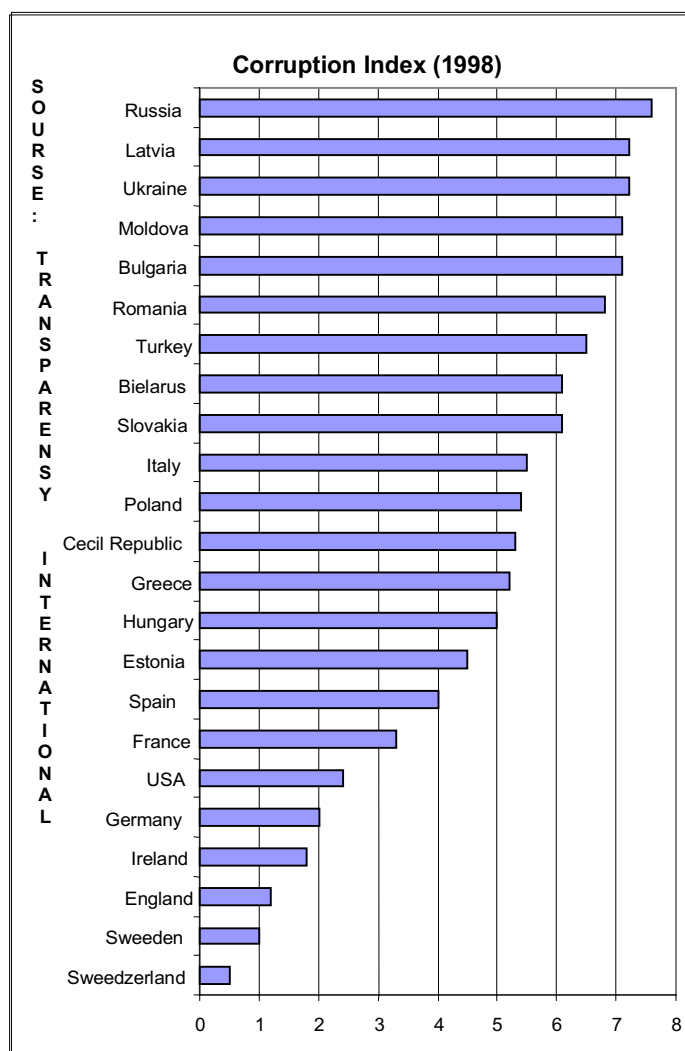
Environment consequences: Deterioration of the environment due to the fact that the society is imputed interests of certain separate groups - immediate profits without redemption of environmental losses.

The results of numerous cross-countries comparative studies of shadow economy indexes and economic performance (Heritage Foundation, Transparency International, Freedom House Rankings) show a quantitative relation between the growth of the degree of corruption of the country, the volume of illicit transactions and economic decline.

Corruption index (Transparency International) in the countries of the European Union fluctuates from 0.54 in Denmark (meaning a practical lack of corruption) to 5.5 in Italy, total corruption index corresponding to the value of 10. The average for EU oscillates around 2.5. For the countries in transition, which hope to join in the EU, this index is at least 2.5 times bigger, reaching from 4.5 in Estonia to 7.6 in Russia.

On this scale Moldova is placed together with Bulgaria after Romania, and is followed by the Ukraine. However, it should be mentioned that the evaluation of the corruption index is more likely based on the evaluation of the level of perception of corruption by the population, rather than on the evaluation of its real dimensions. Therefore, in a traditionally more democratic country this index can be overestimated. At present, there are attempts to develop the Bribery Propensity Index.

High level of corruption in transition countries implies growth of black market (Heritage Foundation), the index of black market varying from its minimum -1 in Austria, France, Germany, Finland, 2 - in Italy, Spain, Estonia, 3 - in Greece, Turkey, Hungary, Poland, Romania, 4 - in Latvia, Bulgaria, Lithuania, Moldova, Ukraine, Russia, and reaching its maximum of - 5 in Georgia and Belarus. Calculations also show a strong inverse link between the degree of corruption and GDP per capita. An inverse relation between corruption index and the index of economic performance in transition countries persists, the latter having as basic components the politic system, the degree of mass-media freedom, the rule of law, the degree of public administration, the development of private sector. On the picture the relation between these two indexes can be clearly seen.



Freedom House Ranking - composition								
	political progres	ind.civil society	independ. mass media	legal system	public ad- ministr.	privati- zation	econ. perform.	privat share in GDP
Albania	4.25	4.25	4.75	4.75	4.75	3.75	4.25	75
Armenia	5.5	3.5	5.25	4.75	4.5	4	4	50
Belarus	6	5.25	6.25	6	6	6	6	15
Bulgaria	3.25	4	3.75	4.25	4.25	5	5.75	45
Croatia	4	3.5	4.75	4.75	4	4	3.75	50
Czech Republic	1.25	1.5	1.25	1.5	2	2	1.75	75
Estonia	2	2.25	1.75	2.25	2.25	2.25	2	70
Hungary	1.25	1.25	1.5	1.75	1.75	1.5	1.75	70
Latvia	2	2.25	1.75	2.25	2.5	2.5	2.5	60
Lithuania	2	2.25	1.75	2.25	2.5	2.25	2.75	65
Moldova	3.25	3.75	4	4.25	4.25	4	4	40
Poland	1.5	1.25	1.5	1.5	1.75	2.25	1.75	60
Romania	3.25	3.75	4.25	4.25	4.25	4.5	4.75	60
Russia	3.5	3.75	3.75	4	4	3	4	60
Slovakia	3.75	3.25	4.25	4	3.75	3.25	3.5	70
Slovenia	2	2	1.75	1.75	2.5	2.75	2	45
Ukraine	3.25	4	4.5	3.75	4.5	4.25	4.25	40

Corruption is a *self-generating process*. If the state employees do not receive their wages during 4-5 months, bribes become the only stable source of their income. Then an evolutionary shift takes place into a vicious circle: corruption → economic decline → insufficiency of sources for the budget → delays in wage payment for state workers → growth of corruption. Moreover, it is easier to blackmail and force a person perceived in corruption to repeat corruptive actions. Unwillingly, this person starts to belong to a strong repressing system.

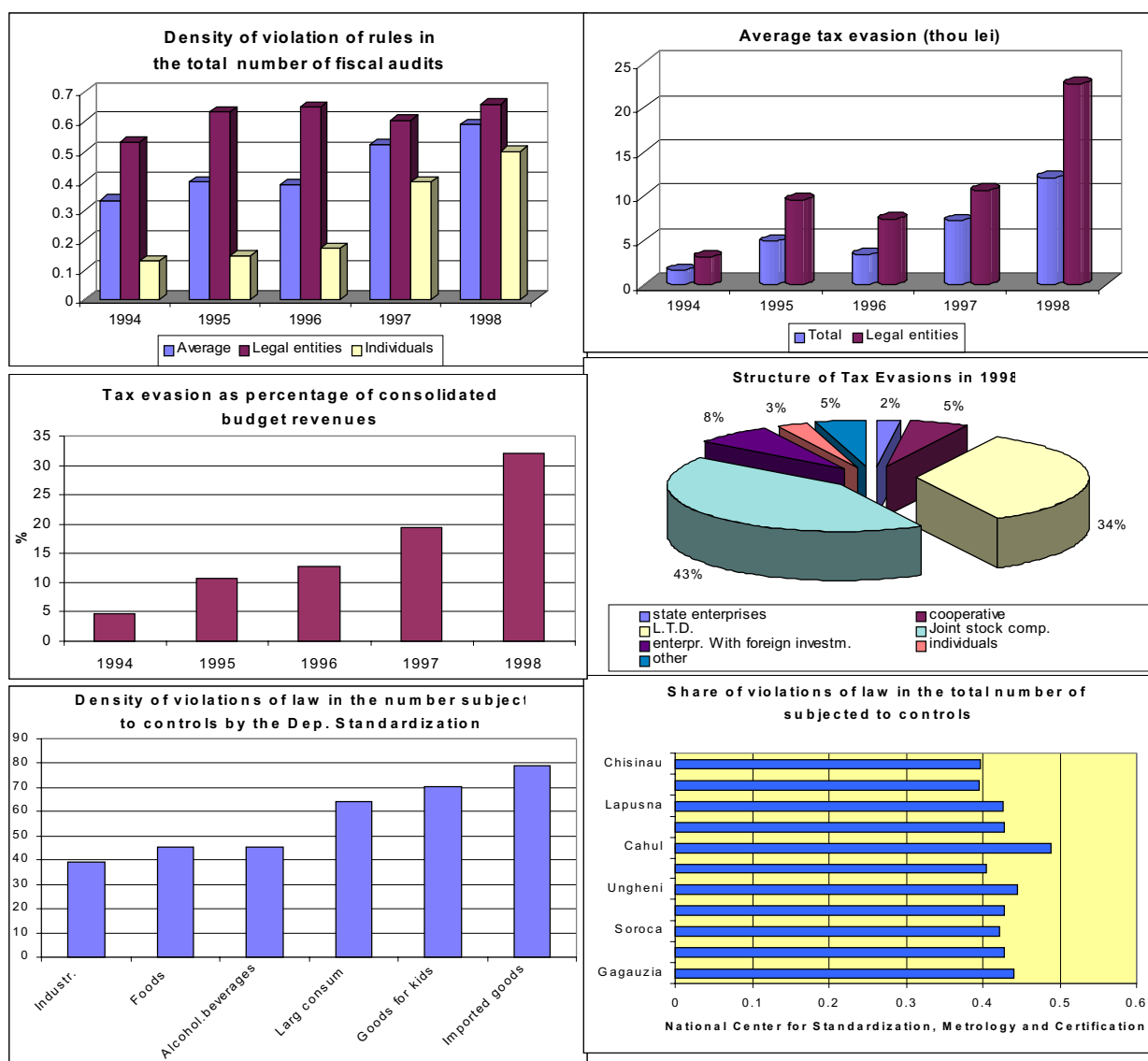
Therefore, starting from 1998, official data regarding the results of audits and inspections became more “optimistic”. In 1998 there were registered 2910 violations of economic and financial legislation, by 244 less than in 1997, losses being estimated at 103 million lei. Chişinău City Police marked a decline by 13% in the number of registered crimes, although 298 cases of concealing crimes were discovered. There were collected 11% fewer taxes in Chişinău (853 million lei). The 10% decline in industrial production and an 18% inflation could not explain this phenomena. Two parallel processes take place: a) hiding or closing criminal files, b) decreasing rate of small crimes and growing of the big ones.

Unfortunately, the actual situation in the Republic of Moldova, as well as in many other countries in transition, does not contribute to an increase of credibility of Moldova as an economic and political partner. The share of underground economy got striking proportions and tax evasion raises continuously. The lack of control upon state employees’ activity and low enforcement, as well as delays in payment of wages to the latter, contributed to the extension of corruption and increasing level of the economic crime in the Republic of Moldova.

According to our estimates, the tax evasion in the Republic of Moldova grew up from 4% of the consolidated budget revenues in 1994 to 20% in 1997 and 32% in 1998. The average evaded tax rose from 7 thou lei per taxpayer in 1997 (10 thou lei per legal entity) to 12 thou lei in 1998 (23 thou lei for legal entity). The rate of rule breakers in the total number of entities subjected to audits grew from 305 in 1994 to 51% in 1997, and 57% in 1998.

In 1998 the collaborators of the Department of Financial Control and Revision accomplished 9506 controls, by 2353 less than in 1997. Despite of that, the total sum of losses caused by illegal expenditures to the economic agents and state, shortages and embezzlements amounted to 87.4 mil. lei, in comparison to 36.3 million lei in 1997 (a 2.4-fold growth).

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Data of the National Center for Standardization, Metrology and Certification show that the rate of law violations detected during the controls of consumer goods varied from 40% for foods to 70% for the goods for children. In the division – local-imported goods most of all account for the imported goods – 79%. The quality of goods varies throughout the country.

Data of the scientific-practical conference “Organized crime and shadow economy in the Republic of Moldova” held under the aegis of the Ministry of Internal Affairs of the Republic of Moldova, Academy of Police and the Independent Association of Criminology, shows that corruption in Moldova achieved striking proportions. Lack of state power creates conditions for emerging mechanisms and structures that quickly can substitute the state structures.

Ordered murders: an existing practice of repeated (2-3 times) temporary releases from jail of the convicted individuals, with a view to commit an ordered murder, is recognized. There are about 300 criminal groups, 35 criminal clans, which control the economic, political, and social performance of the country. Thus, the problems of non-payments are rather solved by pressures on behalf of criminal structures, playing the role of informal courts, by charging 50% of the indebted amount.

On the territory of Moldova there are four channels of *drug trafficking*. Only the monthly traffic of heroin is estimated to reach the volume of 150-200 kg (for information: the wholesale price of 1 kg of heroin amounts to \$1.5 thou in Pakistan, 10 thou \$ in Turkey, 40 thou \$ in England, the retail price reaching \$120 thou). On the territory of Moldova there are clandestine

laboratories producing drugs based on local, much cheaper technologies, and this presents an essential threat for the local evidently poorer population. During the last five years the estimated number of addicted persons rose from 3 thou to 60 thou people. Only in 1998 their number grew 5 times in comparison to 1997. Drug industry is highly concentrated, about 60% of drug transactions are carried out by local Gypsies (for information: Gypsies make up about 0.3% of the total population of Moldova).

The annual volume of narco-business in Moldova is estimated at \$200–250 million, this figure *exceeding 3.5-4 times the annual direct foreign investments* in Moldova. It is clear that the “efficacy” of running this brunch is definitely “higher”. Possibilities to corrupt the state officials are extremely big. That is why the list of narcotic and psychotropic substances proposed by the specialists of the Committee of Drug Control undergone essential “modifications” by the moment of its adoption and publication in the “Official Monitor”. A number of substances, which can be easily produced on the territory of Moldova, vanished from the above-mentioned list. That is why the custom service does not have an elementary facility of drug detecting dogs, there is not any database on drug trafficking, or an unique informational system of the force ministries and the criminal files do not “reach” the court (their total number having diminished from 15 in 1996 to 10 in 1997 and 9 files in 1998). That is why extremely expensive cars with four degree of protection are used for the transportation of drugs.

Smuggling: According to the data of custom service, the detected volume of smuggled goods grew from 2.7% of the total export-import in 1997 to 10.6% in 1998. During the same time, the number of criminal files reaching the court diminishes continuously, criminal files are closed (from 28 open criminal files no file was investigated in 1998).

Data regarding the *volume of illegal export-import transactions* are more relevant. An accomplishment of a cross-checking of Moldovan and Ukrainian information regarding Moldovan exports to Ukraine shows that the data from the Ukrainian side is almost double. This can not be explained solely by the “role” of Transnistria. The same situation takes place in the relationships with Russia. It is little probable that workers of the Ukrainian and Russian custom services are likely to be more honest than those from Moldova, therefore the real distortions could be even greater.

This fact could be not so surprising, if to take into account the current situations when custom services detain full trains with illegally transported goods, and after a call from the “top officials”, they are constrained to let the train move ahead.

The spectrum of corrupted actions characteristic to the *management of public property, accumulation and utilization of financial resources, execution of state control* is quite wide. Amongst the most characteristic to Moldova can be mentioned the following:

- Improper formation and utilization of the state budget funds, lack of methodological norms of their formation and utilization, illegal financing of structures and activities not envisioned in current legislation;
- Inefficient and irrational utilization of budget resources by the state-owned institutions due to improper organization of state-owned budget institutions, financing that leads to laundry of enormous amounts of state funds, improper utilization of investments and donations, including in foreign exchange, as well as their transfer to certain commercial structures that use them for a long time or for a symbolic fee;
- Irrational and inefficient utilization of investments and credits as a result of a bad allocation of state resources, improper utilization of investments and credits given to economic agents;
- Evasion of taxes, fees and other compulsory payments due to the state budget;
- Violation of price discipline, especially ungrounded increase of prices;

- Waste of public property as a result of intentional non-accounting of certain objects of state property, illegal rent of premises and equipment, ungrounded or illegal privatization of state property, violations while purchasing of 20% of shares by the personnel of the enterprises without any tender, diminishing the value of property, and excluding the former staff, including outsiders in privatization process, as well as unreal evaluation of property;
- Irrational and inefficient contracts with certain economic agents, especially with non-government structures;
- Unsatisfactory accounting of financial and economic activity which enables government officers to freely dispose of the state property, including budget resources, to their personal interests.

In a short while Moldova transformed into a corrupted and kleptomanian state, with a mafia-driven psychology and culture, and immoral nepotism. How could be explained the fact, if not through corruption and lobbying, that the legislation of Moldova even does not include the term “racket”, there are not foreseen special measures towards prostitution, it is not adopted a special system of gambling taxation? Moldova, being over-indebted for energy resources, imports natural gas at prices much higher than international ones, and does not even ask for charges on the transit of natural gas through its territory (for information: the payments for the transit of gas through the territory of Ukraine exceed the GDP of Moldova). More than this: Moldova does not have gas counters at the entrance and exit from its territory. The only explanation is a group interest, which is completely opposite to the interests of the whole society.

This situation is characteristic to autocratic states, where practice is missing of self-organization, based on horizontal links, reciprocal credibility and solidarity; in this type of states for a long time a bureaucratic hierarchy based on norms, mainly vertical relations of domination-subordination and tutelary-dependence were maintained.

Fighting corruption generates *immediate profits*. Revenues from fighting corruption exceed many times the costs. According to some Western estimations, the expenditures of £1 in fighting corruption at the local level generate on average £23, and about £250 on the international level⁷.

The materials of the United Nations Commission for crime prevention show that the above mentioned phenomenon has widespread in the Central and East Europe during the last decade. These kinds of problems are included into the programs of seminars and congresses of many international bodies (*INTOSAI, EUROSAL, SIGMA, Accounting Court of the EU, World Bank, Working Group on bribes OECD, International Monetary Fund, etc.*).

The Defense Supreme Council of Romania adopted a proposal on establishing the National Institute for studies of corruption and organized crime under the Academy of Romania.

The goals of fighting corruption can be different:

- short run efficacy in the private sector;
- long run dynamic efficacy, economic growth;
- social equity, political legacy.

The durable strategic directions of fighting corruption in the Republic of Moldova should include deregulation, privatization, transparency, institutional reform, improvement of the enforcement system, reduction of the monopoly force in all spheres, clarifying the degree of discretion in the activity of decision makers.

Implementation of a ***policy fighting corruption*** needs the reform in legislation, the institutional reform, improvement of the system of regulation of fiscal audits, reduction of the public tolerance:

⁷ I. Bogdan, Corruption and economic crime, “Curierul Economic”, 45(347)

Legislation reform:

- Appealing for assistance on behalf of the international institutions in fighting corruption and economic crimes, applying for an external system of monitoring;
- Appealing to projects financed through foreign technical assistance to perform a juridical expertise of laws and amendments proposed for adoption, improving the legal system, removing of contradictions, double meanings, etc.;
- Perfecting of preventive anti-crime measures;
- A clear definition of a penalty system for law breakers;

Amelioration of fiscal control procedures:

- Simplification of regulations of state controls and audits;
- Systematization and unification of the work carried out by different audit agencies;
- Publishing a clear information regarding controls, rights and obligations of control agencies;
- Establishing a unit for registering and regulating the number of controls of the same enterprise;
- Reforming the fiscal and accounting systems, simplification and ensuring its transparency;
- Perfecting the qualification level of control and audit personnel;
- Publishing fiscal information, transparency of preparation and execution of state budget;
- Introduction of a mandatory tender system for public procurements.

Institutional reform:

- Reduction of the number of state institutions, reduction of staff;
- Substitution of the procedure of personal visits for solving problems by using mail, including e-mail system;
- De-politization of Government, introduction of an obligatory system of professional promotion on the base of performance and contest;
- Introduction of a clear and definite system of ethic standards for the state employees;
- Creation of independent institutions authorized for investigations the accusations in corruption.

Reduction of public tolerance:

- Coordination of efforts of educational, religious organizations and mass-media in an anti-corruption campaign;
- Assuring transparency of financing political parties;
- Training journalists in promoting a manner of balanced reporting, introduction of an ethic code for journalists;
- In order to improve the credibility of population in state structures – creation of a unique body for complaining about inadequate behavior of policemen, workers of custom service, fiscal auditors, etc.

As *immediate measures for fighting corruption* the following suggestions should be considered:

- Elaboration of a strategy for fighting corruption in terms of ministries and main directions: public procurements, public campaigns' management, urban planning, fiscal administration, customs reform, legislation;
- Formation at the national level of a coordinating body responsible for the implementation of the strategy for combating corruption;
- Identification of a number of key-agencies in the domains where a concentration of efforts is required to combat corruption during the first year;
- Applying of income declaration procedure for state employees, starting from the top level;
- In countries with a high level of corruption, where any attempt to fight corruption is treated as discrediting political opponents, a strategy of "detecting" corrupted officials at the top level in the ratio represented by parties in the Parliament (existing algorithm 2+2+1) could be applied. In order to gain the credibility of population, the cases should be proceeded publicly, by announcing the punishment of the law breakers, and the directions where obtained money are spent (pensions, wages, repayment of debts, etc.).
- An immediate installation of gas counters at the entrance and exit from the territory of Republic of Moldova.

As a set of *measures to combat corruption at the customs service* the following steps could be considered:

- a) A temporary introduction of army in customs service;
- b) Examining the possibility to transfer the customs service in private sector;
- c) Elimination of politic influence in the customs service;
- d) A decent remuneration of customs officers;
- e) Construction of customs service buildings, service modernization;
- f) Minimizing the discretion in decision making;
- g) Applying a contest system in hiring employees, training custom officers (expertise techniques, responsibilities, classification of tariffs, using computers);
- h) Enhancing fluidity of personnel within the departments for custom service control;
- i) Setting up a modern informational system;
- j) Carrying out of cross-checking information;
- k) Using X-rays in custom service;
- l) Making additional random controls (5% of total) of documentation and goods by special groups after passing the customs.

Conclusion. The corruption phenomenon in Moldova expanded so much, that it practically blocks the economic development of the country. Any attempt to modify the legislation targeted to the stimulation of private sector's development, encouragement of investments and innovational activities, export promotion, solving the problem of budget deficit, external debt, problems of the social and educational sectors will be unsuccessful until drastic measures to combat corruption - the moving force of the shadow economy - are not be undertaken. In order to achieve this, it is necessary to elaborate a clear strategy of fighting the above-mentioned phenomenon, by way of appealing to the experience of international organizations.

4.4. Change in Euromoney country risk rating of Moldova: September '98 - March '99

The recent issue (March '99) of the "Euromoney" magazine released the report on countries' creditworthiness, periodical rating for political and economic risks, traditionally orienting this information towards the potential partners (investors, technical assistance donors, and others). The current rating is important for the Republic of Moldova because it covers the period after the "Black August", just following the Russian crisis and its negative consequences for the economic and banking system of Moldova.

The table below presents Moldova's rating along with the rating of its principal economic partners and neighbors in South-Eastern Europe.

Rank Mar 99	Rank Sept 98	Change		Total score	Political Risk	Economic performance	Debt Indicators	Credit rating	Access to bank finances	Access to short term finance	Access to capital markets
			Weighting	100	25	25	10	10	5	5	5
67	61	-6	Turkey	48.25	11.29	7.90	9.27	1.67	1.69	3.13	2.25
87	93	6	Bulgaria	37.87	6.85	6.30	9.17	1.46	0.09	1.83	1.50
89	82	-7	Romania	36.28	7.76	4.85	9.52	0.83	0.47	1.83	0.75
117	142	25	Moldova	30.79	3.64	3.71	9.52	1.25	0.00	1.83	0.83
126	118	-8	Ukraine	29.85	3.17	4.05	9.76	0.63	0.16	1.83	0.25
137	144	7	Belarus	27.69	2.35	3.83	9.95	0.00	0.00	0.89	0.67
161	127	-34	Russia	20.86	3.02	3.67	9.46	0.31	0.14	1.96	0.20

"Euromoney", thus, gave a quite positive assessment to the work of the new Parliament of the Republic of Moldova, which starting October 1998 adopted a series of new Laws oriented towards the acceleration of reforms (amendments to the Land Code, laws on territorial-administrative reform, pension reform, energy sector privatization, and others.) The formation of the new Government by Ion Sturza, who has the image of the new generation of leaders, had also a positive impact. The defrosting of relations between the government of Moldova and IMF/WB is also worth mentioning.

One should notice that, that rating of Russian Federation – the epicenter of the crisis, in the period September 1998 – March 1999 plummeted by 34 points (from 127th to 161st place), of Ukraine dropped eight points (to 126), of Romania 7 points (to 89), while the rating of Moldova improved by some 25 points (from 142nd to 117th place).

The economic performance of each country is estimated on the basis of economic growth, monetary stability, current account and budget balance, unemployment and structural imbalances. The GDP growth prospects for 1999 and 2000 are also being considered.

The Republic of Moldova scored a total of 30.79 out of the highest possible result of 100. This is the 16th result among the economies in transition, Central, East European and CIS countries. Analyzing the aggregate index by its components we could mention that Moldova scored only 3.64 for political stability and 3.71 for economic performance out of 25. Such a low score in political stability is related to the risk of non-payment or non-servicing of the loans for goods and services purchased, non-repatriation of capital.

Economic performance is the equally weighted sum of factors based on GNP per capita and on economic projections for the next year. Moldova outrun only Tajikistan, Armenia and Russia at this index.

Debt indicators are based on the ratios of the debt stock to GNP, debt service to exports, and current account balance to GNP. Also it includes the ration of rescheduled debt to debt stock. The debt data employed in the analysis are from the World Bank's "Global Development Finance 1999", but contain data only for 1997. This may be the reason of such high scores of the Republic of Moldova. The credit rating indicator is based on the sovereign rating of Moody's, Standard & Poor's and Fitch IBCA. As a result of downgrading of Moldova's debt by Moody's in December 1998 and by S&P earlier, the credit rating dropped from 3.13 in 1997 to only 1.25, but Moldova still ranks 12th among transition economies.

Access to bank, short-term financing, which indicate the disbursements of private non-guaranteed loans as percentage of GNP, as well as the access to capital markets place Moldova approximately in correspondence with it's overall rating.

Thus, in spite of the fact that according to official statistical data real improvements in Moldova's economy and everyday life of population did not occur, the new Parliament and Government, formed by Ion Sturza, on the first stage of their activity contributed to the improvement of Moldova's image, that may result in amelioration of investment climate, technological exchange and commercial cooperation.

*March '99 Euromoney country risk ratings
are presented in the tables below.*

4.4. Change in Euromoney country risk rating of Moldova:
September '98 - March '99

Rank March 99	Rank Sept 98	Change Sept-Mar		Total score	Political risk	Econo- mic perfor- mance	Debt indicators	Debt in default or resched- uled	Credit ratings	Access to bank finance	Access to short-term finance	Access to capital markets	Discount on forfeiting
			<i>Weighting:</i>	100	25	25	10	10	10	5	5	5	5
1	1	0	Luxembourg	98.48	24.28	25.00	10.00	10.00	10.00	5.00	5.00	5.00	4.20
2	6	4	Switzerland	98.36	24.88	23.85	10.00	10.00	10.00	5.00	5.00	5.00	4.63
3	8	5	Norway	95.43	23.96	21.90	10.00	10.00	10.00	5.00	5.00	5.00	4.57
4	2	-2	United States	94.92	25.00	20.28	10.00	10.00	10.00	5.00	5.00	5.00	4.64
5	4	-1	Netherlands	94.22	24.51	19.71	10.00	10.00	10.00	5.00	5.00	5.00	5.00
6	3	-3	Germany	94.04	24.87	19.55	10.00	10.00	10.00	5.00	5.00	5.00	4.62
7	7	0	France	93.68	24.78	19.27	10.00	10.00	10.00	5.00	5.00	5.00	4.62
8	5	-3	Austria	93.30	23.96	19.35	10.00	10.00	10.00	5.00	5.00	5.00	4.99
9	11	2	Denmark	93.24	23.32	20.96	10.00	10.00	9.38	5.00	5.00	5.00	4.59
10	13	3	Belgium	91.18	23.27	18.76	10.00	10.00	9.17	5.00	5.00	5.00	4.99
11	23	12	Japan	90.94	23.81	18.88	10.00	10.00	9.58	5.00	5.00	4.80	3.87
12	12	0	Finland	90.91	22.52	19.22	10.00	10.00	9.58	5.00	5.00	5.00	4.59
13	9	-4	United Kingdom	90.87	24.72	16.52	10.00	10.00	10.00	5.00	5.00	5.00	4.63
14	14	0	Sweden	90.33	22.54	19.24	10.00	10.00	8.96	5.00	5.00	5.00	4.59
15	10	-5	Ireland	90.12	22.66	17.69	10.00	10.00	9.79	5.00	5.00	5.00	4.97
16	15	-1	Canada	90.09	23.48	17.72	10.00	10.00	8.96	5.00	5.00	5.00	4.93
17	21	4	Singapore	88.88	23.41	18.62	10.00	10.00	9.58	5.00	5.00	3.80	3.46
18	19	1	Australia	87.79	21.89	18.02	10.00	10.00	8.75	5.00	5.00	5.00	4.13
19	18	-1	Italy	87.62	22.52	16.57	10.00	10.00	8.96	5.00	5.00	5.00	4.57
20	17	-3	New Zealand	86.90	21.70	16.20	10.00	10.00	9.06	5.00	5.00	5.00	4.93
21	16	-5	Spain	86.72	22.33	15.63	10.00	10.00	9.17	5.00	5.00	5.00	4.60
22	22	0	Iceland	84.47	20.22	17.30	10.00	10.00	7.81	5.00	5.00	5.00	4.13
23	20	-3	Portugal	84.41	21.91	14.18	10.00	10.00	9.17	5.00	5.00	5.00	4.16
24	114	90	Bermuda	81.49	20.91	19.62	10.00	10.00	8.96	5.00	5.00	2.00	0.00
25	24	-1	Taiwan	79.74	20.38	14.27	10.00	10.00	8.75	5.00	5.00	3.13	3.22
26	32	6	Hong Kong	76.73	18.68	15.75	10.00	10.00	6.88	5.00	4.29	3.30	2.84
27	27	0	Greece	75.87	18.04	13.84	10.00	10.00	5.31	5.00	5.00	5.00	3.67
28	25	-3	Cyprus	75.39	18.00	12.72	10.00	10.00	7.19	5.00	4.29	5.00	3.19
29	28	-1	United Arab Emirates	73.39	17.10	15.26	10.00	10.00	6.88	5.00	4.11	1.70	3.35
30	26	-4	Malta	71.81	19.48	11.74	10.00	10.00	6.88	1.01	4.29	5.00	3.60
31	31	0	Israel	70.62	15.97	12.82	10.00	10.00	6.25	5.00	4.20	3.25	3.13

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Rank March 99	Rank Sept 98	Change Sept-Mar		Total score	Political risk	Econo- mic perfor- mance	Debt indicators	Debt in default or resche-duled	Credit ratings	Access to bank finance	Access to short-term finance	Access to capital markets	Discount on forfeiting
			<i>Weighting:</i>	100	25	25	10	10	10	5	5	5	5
32	33	1	Slovenia	70.06	16.62	12.07	9.94	10.00	6.46	3.84	3.84	3.90	3.39
39	39	0	Hungary	65.75	17.39	10.74	9.51	10.00	5.00	2.80	2.95	4.00	3.35
42	38	-4	Poland	62.06	15.99	10.54	9.56	10.00	4.79	0.37	3.13	4.20	3.49
43	40	-3	Czech Republic	61.96	16.58	9.97	9.65	10.00	5.83	0.50	3.13	3.80	2.50
50	51	1	Estonia	54.38	12.52	9.09	9.92	10.00	5.42	0.62	2.46	2.63	1.73
52	66	14	Croatia	54.04	11.01	9.42	9.64	10.00	4.38	2.55	2.28	2.60	2.17
62	57	-5	Latvia	50.67	11.23	8.54	9.93	10.00	5.00	0.20	2.37	1.67	1.73
63	62	-1	Lithuania	50.14	11.81	8.25	9.87	10.00	3.96	0.00	2.28	2.25	1.73
66	58	-8	Slovak Republic	48.33	10.91	8.51	9.54	10.00	3.75	0.53	2.28	2.10	0.71
67	61	-6	Turkey	48.25	11.29	7.90	9.27	10.00	1.67	1.69	3.13	2.25	1.07
78	81	3	Kazakhstan	40.68	8.54	6.25	9.75	10.00	2.50	0.81	1.83	1.00	0.00
87	93	6	Bulgaria	37.87	6.85	6.30	9.17	10.00	1.46	0.09	1.83	1.50	0.67
89	82	-7	Romania	36.28	7.76	4.85	9.52	10.00	0.83	0.47	1.83	0.75	0.27
106	116	10	Azerbaijan	33.39	4.88	6.48	9.82	10.00	0.00	0.00	1.55	0.67	0.00
110	128	18	Kyrgyz Republic	32.86	5.41	7.12	9.36	9.91	0.00	0.00	0.89	0.17	0.00
111	125	14	Turkmenistan	32.63	5.18	5.61	8.91	10.00	0.94	0.00	1.83	0.17	0.00
117	142	25	Moldova	30.79	3.64	3.71	9.52	10.00	1.25	0.00	1.83	0.83	0.00
126	118	-8	Ukraine	29.85	3.17	4.05	9.76	10.00	0.63	0.16	1.83	0.25	0.00
127	105	-22	Uzbekistan	29.78	6.23	6.83	9.71	4.80	0.00	0.05	1.83	0.33	0.00
137	144	7	Belarus	27.69	2.35	3.83	9.95	10.00	0.00	0.00	0.89	0.67	0.00
139	170	31	Tajikistan	27.43	4.04	3.52	9.46	9.40	0.00	0.00	0.89	0.13	0.00
141	134	-7	Georgia	26.81	3.12	5.89	9.12	6.69	0.00	0.00	1.61	0.38	0.00
146	143	-3	FYR Macedonia	25.33	4.56	8.19	9.40	0.00	0.00	0.16	2.19	0.50	0.33
159	137	-22	Armenia	21.22	2.98	—	9.36	6.82	0.00	0.00	0.89	1.17	0.00
161	127	-34	Russia	20.86	3.02	3.67	9.46	2.09	0.31	0.14	1.96	0.20	0.00
167	135	-32	Albania	17.49	2.94	4.10	9.42	0.00	0.00	0.00	0.89	0.13	0.00
171	168	-3	Yugoslavia	15.25	0.92	3.83	0.00	10.00	0.00	0.00	0.00	0.50	0.00

4.4. Change in Euromoney country risk rating of Moldova:
September '98 - March '99

Global economic projections								
Rank			Average	Economic		Expected	GNP growth	
Mar 99	Sept 98		performan 1999- 2000	performance 1999	2000	change 1999- 2000	1999	2000
1	5	Ireland	82.68	82.64	82.73	0.09	6.4	6.5
2	6	Netherlands	82.25	81.64	82.86	1.21	2.6	2.8
3	7	Finland	82.21	82.08	82.33	0.25	3.3	3.1
4	16	Canada	81.31	81.85	80.77	-1.08	2.4	2.4
5	1	Luxembourg	81.29	81.71	80.86	-0.86	3.4	3.2
6	20	Australia	81.05	80.55	81.55	1.00	2.6	3.0
7	3	United States	80.90	81.71	80.10	-1.62	2.5	2.1
8	11	France	79.44	78.12	80.76	2.65	2.3	2.6
9	12	Sweden	79.00	78.82	79.18	0.36	2.3	2.4
10	10	Denmark	78.81	77.69	79.92	2.23	1.7	2.1
11	2	Norway	78.49	78.18	78.80	0.62	1.5	1.8
12	-	Brunei	78.00	78.00	78.00	0.00	-	-
13	8	Germany	77.56	75.50	79.63	4.13	2.0	2.4
14	22	New Zealand	77.17	76.33	78.00	1.67	2.0	3.0
15	15	Spain	77.03	76.53	77.53	1.00	3.3	3.3
16	4	Austria	76.88	74.38	79.38	5.00	2.4	2.6
17	13	Switzerland	76.42	75.85	77.00	1.15	1.5	1.8
18	18	Belgium	76.00	74.86	77.14	2.29	2.2	2.5
19	14	Portugal	75.24	75.33	75.15	-0.18	3.4	3.1
20	19	Italy	73.53	72.13	74.94	2.81	2.0	2.4
21	21	United Kingdom	72.34	70.63	74.06	3.44	1.3	1.9
22	23	Taiwan	71.42	68.08	74.75	6.67	4.0	4.7
23	28	Greece	70.90	69.90	71.90	2.00	3.2	3.1
24	30	United Arab Emirates	70.50	72.00	69.00	-3.00	0.4	2.3
25	-	Bermuda	67.50	75.00	60.00	-15.00	-	-
26	38	Bahrain	66.25	65.00	67.50	2.50	0.4	1.6
27	17	Iceland	66.00	66.00	66.00	0.00	4.1	3.2
28	40	Panama	65.67	67.33	64.00	-3.33	3.7	3.5
29	26	Poland	65.51	64.58	66.44	1.86	4.4	4.6
30	29	Hungary	65.37	63.36	67.38	4.01	4.0	4.2
31	24	Singapore	65.03	62.50	67.56	5.06	0.7	3.0
32	78	Bahamas	65.00	70.00	60.00	-10.00	4.0	3.0
33	34	Slovenia	64.60	64.00	65.20	1.20	3.4	3.5
34	9	Malta	63.88	63.25	64.50	1.25	3.8	5.0
35	41	China	63.71	64.50	62.93	-1.57	6.6	6.3
36	60	South Korea	62.99	58.14	67.85	9.70	0.5	3.3
37	121	Syria	62.25	55.50	69.00	13.50	1.2	2.6
38	27	Cyprus	62.03	61.80	62.25	0.45	3.5	4.0
39	73	Fiji	61.00	60.00	62.00	2.00	-1.5	2.0
40	42	Hong Kong	60.87	57.27	64.47	7.20	-1.0	1.8
41	-	Antigua & Barbuda	60.00	70.00	50.00	-20.00	-	-
42	133	Barbados	60.00	70.00	50.00	-20.00	4.0	4.0
43	36	Czech Republic	59.82	58.64	61.00	2.36	0.3	1.9
44	47	Jordan	59.25	56.00	62.50	6.50	2.2	2.8
45	43	Israel	59.12	58.83	59.40	0.57	1.7	2.9
46	35	Chile	58.96	56.42	61.50	5.08	1.9	3.9
47	53	Qatar	58.83	57.67	60.00	2.33	3.1	5.4
48	45	Japan	58.81	59.69	57.93	-1.75	-0.6	0.6
49	49	Mexico	58.25	57.42	59.09	1.67	2.6	3.5
50	92	Philippines	58.18	55.91	60.45	4.55	1.8	3.5